



Sierra Vista City Council

Work Session Agenda April 16, 2015

1. Call to order – 4:00 p.m. in the City Hall, Council Chambers, 1011 N. Coronado Drive, Sierra Vista, Arizona.
2. Presentation by the Citizens' Advisory Commission
3. Adjourn

City Council work sessions are informal meetings of the elected body designed to allow the Mayor and Council Members to prepare for upcoming regular meetings, have staff briefings on issues, and provide an opportunity for more detailed discussions amongst themselves. The meetings are limited by City ordinance to 90 minutes, and in accordance with the State Open Meeting Law, no discussion can take place on issues/topics that have not been posted on the agenda at least 24 hours in advance. The public is welcome to observe the meetings in person or on Cox Channel 12, but time is not reserved on work session agendas for public comment. The public may, however, address the City Council at their regular twice-monthly meetings or share written views through the City's website, www.SierraVistaAZ.gov.

Work Session Minutes
April 16, 2015

1. Mayor Mueller called the work session to order at 4:00 p.m. in the Council Chambers, 1011 N. Coronado Drive, Sierra Vista, Arizona.

City Council Members:

Mayor Rick Mueller – present
Mayor Pro Tem Bob Blanchard – present
Council Member Alesia Ash – present
Council Member Gwen Calhoun – present
Council Member Rachel Gray – present
Council Member Hank Huisking – present
Council Member Craig Mount – present

Others present:

Chuck Potucek, City Manager
Mary Jacobs, Assistant City Manager
Tom Alinen, Police Chief
Adam Thrasher, Deputy Police Chief
Jill Adams, City Clerk
Scott Dooley, Public Works Director
Sharon Flissar, Engineer
Pam Weir, Management Analyst
David Felix, Finance Manager
Don Brush, Acting Director, Community Development
Barbara Fleming, Human Resources Director
Victoria Yarbrough, Leisure & Library Director
Citizens Advisory Commissioners

2. Presentation by the Citizens' Advisory Commission

Mayor Mueller stated that since the presentation is budget related, there will be a public hearing once a complete budget is presented, thanked the Citizens' Advisory Commissioners and introduced Ms. Liz York, Chair of the Citizens' Advisory Commission.

Ms. York stated that the Commission appreciates the opportunity in order to give the final recommendation to Council. The Citizens' Advisory Commission is a unique commission and they don't meet on any given schedule. They are only called to serve when the Council asks the Commission to look into a task that is important to the community in general. Some of the things that the Commission has looked at in the past have been Capital Improvement Projects and a couple of years ago, the Commission looked at the revenue services. At that time the Commission found that the revenues coming into the City supported and were able to sustain the services that were offered. Council has asked the Commission to look at this again.

Ms. York introduced the members of the Citizens' Advisory Commission and stated that the Commission is made up of general citizens that are retired, full time workers, teachers, preachers, work in retail, work for contractors and the main thing is that the Commission is a nonpartisan commission. They come with no agendas to the table. The only agenda that they have is to fulfill the tasking given to them at that time to the best of their ability using public opinion, using the facts available and coming to the conclusions that they feel as a whole, as a team, are the best to give to Council.

Ms. York stated that over the past six or seven years there has been great recession and there has been a lot of attrition in the City. The City has lost over 25% of its members and about 70 workers that left mostly through attrition. The people that were left helping with those jobs, have split the jobs. The City saw what was coming so instead of hiring new people, they did not hire new people, they split the jobs from the people that left and the people remaining fulfilled those duties plus their own duties.

The Commission has also seen the retirement cost for public safety. The State System has performed poorly. There was a settlement that caused big bucks state-wide. The salaries in the City are not competitive. There was a salary freeze that leads to compression and a study that was done that recommended that the City needed to put about a \$1.2 Million into it to bring the salaries up to where they can be competitive.

The Commission looked at revenues coming in which was what the Commission was tasked to look at. The General Fund makes up about 42% to 44% of the City's total budget. The City budget is about \$73,500,000 and of that in the General Fund there is about \$32,500,000. The Commission was asked to look at this because those are the monies that the Council has control over. Those are monies and revenues that Council has a say about what to do; the others Council does not. The Commission concentrated on revenues going into the General Fund.

The Commission had presentations by every department head in the City and each presentation held the department heads outlined the needs and concerns of their particular department. It was eye opening when the Commission saw the problems that the attrition has caused. The attrition from losing people in the different departments, the departments are stretched thin now and it is beginning to show.

Ms. York reminded Council that the Commission had stated a couple of years ago that the revenues are ok and the City services can be supported. The Commission came to an agreement that the City cannot do that any longer. Something needs to be done. The City is now stretched thin.

The Commission looked at all of the latest projections and parsed through every revenue stream that was under the control of Council. The Commission also wanted public input and there questions on line on the City website. The Commission also held two public meetings. This was done in an eleven week period because that was what the Commission was given. The last time that this was done, the Commission had five months. It was very intense as normally the Commission would meet once a week and this time that could not be done. The Commission started meeting once a week, then it went to twice a week and then there was one week with four meetings in a week because the Commission wanted to make sure that they were present at the public meetings as well. Then there was an extra meeting added because there was still not enough time and the commissioners put in a lot of hours before hand to go over the reports by each department head which are 30 to 40 pages long.

There were two public input meetings, one on a Thursday night and one on a Saturday morning. Eight-six people signed into the meetings and there was a headcount. The Commission had them fill out sheets of questions if they wanted to participate. The Commission also had questions on the City Face Book and on Speak Up Sierra Vista. There were 56 users that participated in that with lots more than one suggestion.

At the public meetings, the Commission divided the citizens that came into three to six groups and they went over their concerns, they looked at the questions that the Commission had come up with and the City's department heads were available at each public input meetings in case there were any questions, which was truly appreciated by the Commission and the public.

Ms. York noted that there were both City and County residents participate. The County residents that participated use the City services as well and they wanted to also know what was going on. This is important because quality of life, as the Commission went through this process, became very important and was one of the priorities of the commissioners and of the citizens that came to the public input meetings.

Ms. York stated that it was interesting to find out that a lot of the Commission's priorities intertwined with the priorities of the general public that came to the meetings and that answered the questions on the website. She also stated that being on the Commission; she has found that is like watching a pure democratic process work because no agendas are brought to the table. There is trust in what is being done and time and time again, no matter what the tasking is that the Council has given the Commission, what needed to rise to the top did through everybody's hard work and from the public input.

The Commission found the following:

- Street maintenance was very important as it was with the Commission;
- Economic development, marketing, bringing in more people to the area to increase the economy and not to depend so much on Fort Huachuca;

Ms. York stated that economic development, marketing and tourism were important.

- Public safety was very important;

Ms. York stated that the City's compensation for both the police and fire along with the City's regular city workers needs to be addressed. The Commission found that for public safety both the police and fire are paid between minimally 18% to 19% less than any other city of Sierra Vista's size in the whole state. This is a concern because they are not going to stay in Sierra Vista and work.

- Leisure services had strong support from both city and county because it is a quality of life issue;

Ms. York stated that people think that Council needs to look at the Cove as one of the way to save money and there are things that are coming up in the Cove, i.e., replacing the wave machine for about \$300,000 and maybe that does not need to be done. People that were spoken to as she went from group to group in the public meetings were willing to see that go in order to keep the Cove as a whole. She was also surprised and happy to hear that people stood up and said that they want to keep the services that they have and they are willing to look at a very moderate tax increase. People understand that in order to maintain the quality of life that they have in Sierra Vista that they also have to do a little bit of a sacrifice too. There were also people that sated to not raises taxes at all; but there were a lot that stated that they would support a moderate tax raise.

- Tiered tax structure for items over \$5,000;

Ms. York explained that this is a win-win situation in that it would bring in more shoppers in the community and those shoppers that come into the community don't just come in to purchase that one item and then run. They will stay in the community and they may go to the restaurants, they may go to the bars, they may go to other places to shop. With the tiered tax structure from \$1 to \$5,000, at the basic retail tax, and then over \$5,000 the Commission recommends anything from 1% to a 1.75% instead of the regular tax structure.

- Police coverage;

Public safety is important and police coverage seemed to be adequate to some and to others, it was not. They did support that the City needed to bring compensation up so that the City is not losing police officers and the Commission found out that right now the City has 34 police that are on patrol. For a city the size of Sierra Vista, minimally, there should be 47 to 48 police officers. If the City is down to a skeletal crew of 34 and then there are some that have to go on light duty, there is a problem with coverage. Then there are others that will take other jobs for higher pay.

- Unfencing the Capital Improvement Fund;

The Commission as a whole looked at the Capital Improvement Fund and would like to recommend unfencing it. This does not mean that Council is unfencing the whole thing. There is money that is there that is restricted to pay the City's debts; but there is about \$1,200,000 that could be unfenced. It is not marked right now for anything; it is just kind of an in case of a rainy day this may be needed to do something for building maintenance. The Commission would like to see it unfenced and put into the General Fund and perhaps consider using it for compensation for salary increases.

- Vista Transit and King's Court

Ms. York stated that there were comments. These are quality of life issues but the public did want to bring them up.

The Commission would like to recommend additional investment in:

- Street maintenance;

Street maintenance was very important to the vast majority of people that came to the public input meetings, that commented on-line, and also to the Commission itself. Unless the City takes care of the streets, the City cannot hope to bring in more people into town. One of the things that businesses look at is what is the community like, what is the quality of life, how is this going to help their employees and do they want to live in Sierra Vista. They don't want them to drive into town and get sucked into the first pothole that they drive over. The Commission would like to recommend \$600,000 to \$1,000,000 increase per year in street maintenance. This will end up saving the City in the long run. Right now, all that is being done is putting bandages on the streets. The City is using lower level materials that do not last a long time. If this continues, within five to seven years, the City may need to replace whole streets. If the amount was increased on what is being spent to fix the streets, the streets will last a lot longer and the City won't have to look at the higher replacement cost later on.

- Economic development and tourism

The Commission is recommending on one of the higher priorities a \$25,000 - \$300,000 increase per year. The City needs to work on bringing more businesses into town and part of

this money would go for that to bring in businesses and shoppers and to work on marketing Sierra Vista. The City has already started a branding campaign and this would go along with it and not be so dependent upon Fort Huachuca. The City would be able to stand on its own.

- Classification and Compensation Implementation

The Commission would like to recommend \$1,000,000 per year to be added to bring the salaries that are low up to at least a minimum range, where they are equal to some of the other cities. The City can't keep paying people a lot less and then when people leave add more work to them. Right now it is at a point where services are going to be impacted and there is going to be a lot of problems with that. People are not going to want to say.

- Vehicle rotation and capital maintenance;

The Commission would like to suggest a \$900,000 - \$1,000,000 per year increase in that. '

- Staffing increases up to \$1,100,000 in the following areas;

The neighborhood enforcement is one officer down and it is a minimal amount to hire another officer in the whole scheme of things. Right now, the department is 750 complaints behind because there is only one officer. These are complaints from the community that they are concerned about different safety issues.

Staffing for police officers. The Commission is not stating to do it all at once. The department is down and should be minimally at 47 to 48 according to standards for the size of Sierra Vista. The Commission is asking Council to consider looking at increases of a couple; they realize that it takes awhile to train.

- Administrative positions;

The Commission is worried now that the administrative positions have been holding their own but they are stretched with 25% manpower down, 70 jobs down. Now it will start impacting levels of service to the community. They are going to have to start prioritizing instead of being able to take care of everything as they have been doing. They have been doing a great job.

Ms. York stated that the Commission did not want to outline specifics but they did want to mention that the public and the Commission thought that were some areas where with the Cove, Vista Transit and Library that where things could be cut. The Commission does not want to do away with anything, they are not saying that because these are quality of life issues; but they need to be addressed. There are some areas where money could be saved.

- Unfencing the Capital Improvement Fund;

Ms. York stated that the Commission was not touching the debt amount. The Commission wants Council to unfenced that rainy day and free it up and take it out of restricted funds because right now it can be used for anything other than in the Capital Improvement Fund. The Commission would like to put it into the General Fund. There are immediate needs that are needed right now.

- Increase the retail sales tax with a tiered rate for purchases over \$5,000

Ms. York stated that it is a moderate tax increase and the Commission has provided various options with ideas on monies that would be increased if the City did any increase from a .2% to a .5% increase. The Commission provided four different options along with examples of how each of those options would work with the monies that would come in with each one of those options.

Along with that the Commission would like for Council to consider the tiered rate for purchases over \$5,000 using the basic retail sales tax for the bottom part of the tier from \$1 to \$5,000 and for over \$5,000, for large purchases, anything from a 1% to a 1.75%.

The Commission thinks that this would encourage people to come into Sierra Vista to shop because if they are buying a large item i.e., a car, motorcycle, or diamond engagement ring, they can buy it for a lot less because of the tiered rate for those items. The additional income that it would bring in, with the increase in the sales tax, it could be anything from over a little over \$1 Million to a little over \$2.5 Million.

- Increase bar and restaurant tax

Right now it is a 2.60 and the Commission is suggesting a .3 to .4 rate increase and this would bring in an additional \$221,000 - \$300,000 a year.

- Increase various user fees

Council has control over these and one of the things that the Commission believes would be a lot easier are the ambulance fees so that they are a one set fee instead of the two different fees. There are two different set of fees, one for the Sierra Vista Ambulance and one for the Fry Ambulance and now with Sierra Vista Fire working on the integration agreement with Fry Fire so that they both work together and can answer each other's calls then it would make sense to have one ambulance rate.

There are also other fees that can be looked at with Animal Control. Their adoption fees are low and the Commission is suggesting a moderate increase along with library fines and police report. All of those fees need to be increased. The Commission believes that the City can find at least \$100,000 in additional revenues if the City goes over some of the user fees and review them on a set time frame. A lot of these fees have not been addressed in a decade.

Ms. York stated that the Commission did find that the City is well run and she really believes that the City is well run because as long as she has been on the Commission, she saw back in 2008, when the Council then saw what was coming down the line and there were other cities the size of Sierra Vista declaring bankruptcy. Sierra Vista was not doing that. The City was cutting back, recognized the way that the economy was going and did not keep hiring new people. The City was lucky that with the attrition, the people that the City had working were willing to absorb the other jobs so that new people were not hired and those monies were not spent.

Ms. York offered kudos to the City staff and Council because they kept the City out of trouble a lot longer than other cities. The CAC members are a diverse group that wants to help the community. There are no agendas and they are only a recommending body providing the best decisions on their priorities and the public's priorities. It was interesting to find that on so many levels, the public matched those of the Commission. This was a short timeframe and stressful process.

Ms. York thanked the department heads and the three City staff that worked closely with the Commission, Ms. Jacobs, Mr. Felix and Ms. Weir. In closing, she also thanked the Council and the public.

Mayor Mueller also thanked the department heads, Ms. Jacobs, Mr. Felix and Ms. Weir.

Council Member Huisking voiced her appreciation and stated that she feels under fire so that the right decisions are made. She also stated that she thinks that the recommendations that were made sound reasonable, and certainly, for those that have attended several of the meetings with the CAC, and the public meetings and listening to the constituents around town, they are in line with what people think is important.

Council Member Ask thanked the CAC appointees, staff and commented on the public sessions as there was more public input than what she expected.

In response to Council Member Ash, Ms. York stated that the current tax rate is not working and it is not enough to support the services that the City has now and the City has to encourage more shoppers and bring more people in. The CAC recommended a very moderate tax raise. By lowering the top tier over \$5,000 the Commission thinks that may be one more way to encourage people to come here and not only spend for the large item; but stay here and do other shopping eating, going to bars and etc. The CAC also suggested that if this is done to try it out for a length of time in order to see if this is something that is going to work. Council needs to try it out and then review it after five years and see if this is something that would like to be continued as this is within Council's purview. This is why the Commission suggested for the top tier to stay within 1% to 1.75%.

Council Member Ash stated that when talking about a modest tax increase and looking at who lives in the City, for somebody who may be younger or with a family, buying a car at this moment and due to their own economic crisis, sequestration, they have lost jobs on Fort Huachuca, buying anything over \$5,000 is really not in their purview; but they will see a tax increase so balancing, lowering taxes or keeping taxes the same on high ticket items that for somebody that is low-income or who is currently struggling for whatever reason, is definitely something that needs to be addressed.

Council Member Ash also commented that when it comes to staff pay, class compensation, she has heard concerns from the public about the fact that there are people in the City who do not have a job and so staff should be happy quite frankly with the amount of pay that they are getting. However, something occurred to her, whenever the City has these big studies and the CAC starts to work on something and the City has Dream Your City, it is the staff who has to implement all of those big ideas and so the City needs highly skilled with competitive paid staff if the City wants to accomplish what Council really seeks out as policy.

Ms. York stated that when the City did Dream Your City and had over 500 responses in 2013 and Phoenix also did Dream Your City and they had 300 responses. Sierra Vista has a lot of people that are concerned about their community and are willing to come to meetings and offer suggestions and it makes her proud.

Council Member Gray stated that she is also proud of the Commission and stated that Mr. Thomas is not present today because he is in Washington, D.C. talking to Congresswoman McSally and in response to the remark of how lucky the City is with the staff stated that it shows that the City does well in the hiring process. The staff is dedicated and willing to work with Council.

In response to Council Member Gray, Ms. Jacobs explained that the \$200,000 is nongeneral fund and so the \$1 Million is General Fund and the rest would go to the other funds, i.e., HURF, Sewer, Wastewater and it includes the burden as the best estimate. Staff is in the process of fine tuning but it is relatively close.

Council Member Calhoun also thanked the staff and CAC, stated that she appreciates the different options and inquired about the \$5,000 threshold for the suggested tiered system. Ms. Jacobs explained that there are a number of other communities in the State that implement the tiered tax. The majority does it at about \$5,000 and so really the intention would apply specifically to large ticket items and would limit the application to those things that could make an economic impact on the community if there was enough of an incentive to come to Sierra Vista and it is not just about attracting new buyers. It is also about stopping leakage so that people don't go to Tucson in order to make their large ticket purchases so there is enough of an incentive for them to stay.

Ms. Jacobs further stated that she did take the opportunity to reach out to some colleagues in the State whose communities have the tiered tax. Out of the ones that she spoke to, they said that it is more about the leakage and in some cases it is about having an opportunity to attract dealers to the community, i.e., Avondale who was in the process of starting an auto mall and they wanted to make sure that they attracted those dealers. Safford wanted to eliminate leakage to adjacent communities. It was a combination of both; but the bottom line was attraction of trying to get the larger ticket, largely vehicles to be bought locally because that provides the biggest bang for your buck in terms of the sales tax dollars.

In response to Council Member Calhoun, Ms. York stated that the Commission talked about what could happen if Council puts funds from the Capital Improvement Fund into the General Fund. It was also talked about with the general public and it may be that the Council may have to go to bonds and bring it to the general public. That is in an option is that money is moved.

Council Member Mount thanked staff and the CAC for their time and stated that he is ok with the way the process went and ultimately the responses from the public which certainly mirrored the CAC. One thing to keep in mind, even with the turnout, is that there were only about 173 unique people who actually voiced their opinions. That is a very small percentage, a 10th of one% of the entire population, and so there are still a lot of things that Council needs to do and find out from the public.

Council Member Mount stated that he is happy that the tiered plan was acknowledged and talked through to such great detail. The tiered plan was something, and there is no secret about it, is what he was pushing through. He did not have an opportunity to present this to the CAC and maybe next time there might be a way to have those ideas from the public to come straight to the CAC so that there is a much fuller discussion about some of the other ideas as there are a lot of other ones out there. This idea was briefed to the Chamber of Commerce, which they endorsed. The hotel association and the EDF also endorsed it along with several other political groups.

Council Member Mount stated that when one looks at the spending that is being asked for, the recommendations, and he does not disagree with any of the recommendations that are there; but the levels being talked about, i.e., \$4.5 Million worth of new revenue being raised at the high end per year, and then another \$4.5 Million worth of spending at the high end for everything, his question to the CAC is did anyone go through last year's budget's, line by line

to see the expenses that did take place that could be reduced out to maybe keep the taxes from going up really high. Some members of the CAC in the audience stated that they only got numbers and that last year's budget, line by line expenses were not presented.

Council Member Mount stated that the reason he brought this up, is if everyone goes back and takes a look at these budgets, posted on line, and go line by line and start talking about things like \$300,000 in tourism and marketing, if he were to go back and say that the City in its last year's budget had \$312,000 lined up just for advertising and not including what was spent in economic development, there is money there that could be used and maybe Council has to find more effective way of using it. He thinks that everyone wants to get to the idea of the class comp and he believes that it is a great idea also some of the other things; but taxes and the importance of building markets, if the City raises its taxes too much, the economy is still weak and that is the reason why the City is going through this process, and the City runs the risk of making it weaker if the City is not careful. The other point is that the City has low income families that live in the City and the taxes that are being talked about raising does include things like food and if someone is on a \$200 every two weeks food budget, and the City starts to raise it, even .2%, .3%, .4% - think of how many gallons of milk or loaves of bread that are no longer available to go onto the kitchen tables.

Council Member Mount stated that he is very happy with the recommendations that came through and he thinks that the Council has a lot of work to do and he believes that the Council has a lot more ideas to explore.

Mayor Pro Tem Blanchard asked if people were talking about the streets as they are now or are they talking about in the future that the City needs to keep up. The City just paved Fry, Wilcox and Seventh Streets, the major streets which will last another 15 to 20 years. Ms. York stated that both, present and the future street maintenance. Public Works told the CAC that right now they need about 60% of the streets that need to be addressed.

Mayor Mueller stated that the major streets are ok but a lot of the neighborhood streets and the minor arterials that have not been touched other than only patched in 15 years that is causing the issue with the public. Mayor Pro Tem Blanchard stated that the City is lucky to have done the major streets with federal money.

Mayor Pro Tem Blanchard made the comment that when the City first considered doing the Cove, Council wanted to get 40% of the funding from user fees, and right now the City is getting something like 48% or 49%. So the City is doing a whole lot better than what was ever thought it would be doing; but that doesn't mean that Council can't go back and readjust hours or something like that. In closing, he also thanked the staff and CAC.

Mayor Mueller stated that he is interested in the tiered tax discussions and the CAC's report emphasis what Council Member Ash was saying about it. When Council does something like this, they need to be reminded that Council's job as a Council at the end of the day is that they balance and that is really their challenge.

Mayor Mueller stated that with regard to the property tax rate, each year it can only be raised so much as dictated by the legislator. For one year it is \$151,000 and that is a rate that has to be visited every year.

Mayor Mueller asked if the CAC consider that if Council is doing that every year anyway, Council may want to maximize the rate each year for a certain number of years to raise the property tax. Currently it is \$1 per every \$100 that is paid comes to the City and that is not a

steep rate when compared to other communities. Ms. York stated that they didn't, they looked at it and they talked about the property tax and did not go into touching the property tax.

Mayor Mueller noted that the CAC's report talks about fuel sales going up at the yard and asked if anyone discussed fuel sales at the airport. Ms. York stated that it is included.

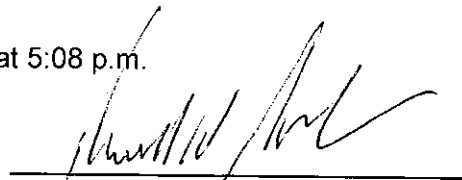
Mayor Mueller stated that he agrees with dog license fees going up and told the city manager that he would like to see the pet adoption fees to be a pay as you go just like it is done for recreation services. Ms. York stated that the CAC's suggestion is that it would be an impact if the cat adoption fees are raised and those should stay where they are; but dog adoption fees on an average usually are about \$75 and in Sierra Vista it is \$50, which should be looked at to \$60.

Mayor Mueller stated that finger printing and background investigation fees obviously need to go up and the bugaboo lighting the fields needs to be looked at.

Mayor Mueller stated that he would love to see the formal endorsements by all of the groups that are endorsing the tiered tax plan. In closing, he thanked staff and the CAC members for their hard work and their dedication to the City.

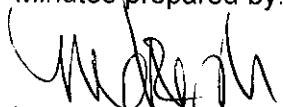
3. Adjourn

Mayor Mueller adjourned the work session at 5:08 p.m.



Mayor Frederick W. Mueller

Minutes prepared by:



Maria G. Marsh, Deputy City Clerk

Attest:



Jill Adams, City Clerk



CITY OF SIERRA VISTA CITIZENS ADVISORY COMMISSION RECOMMENDATIONS TO CITY COUNCIL

4/13/2015

Commission Members:

Liz York, Chair

Jeff Anselmi, Vice Chair

Ken Cecil, Secretary

LaVerne Jenkins

Sandra Kenny

Clyne Namuo

Greg Thomas

Background and Tasking

The City has continued to face significant financial challenges due to a stagnant local economy, growing demand for services, and more recently, significant financial strains on the general fund. For example, the Public Safety Personnel Retirement System (PSPRS) recently announced that the City's rate for the next fiscal year will increase by 25%, or roughly \$550,000. In addition, a recently completed classification and compensation study of City employees has identified that in order to remain competitive and eliminate compression issues, salary range and structure changes should be implemented. As proposed, this would cost up to \$1.2 million to implement (including salary and burden), with \$1 million coming directly from the general fund. Due to the reductions in staff and operational budgets over the past four years, current City service levels are unsustainable. The City also faces longer-term threats to its financial health without improvements to the overall revenue structure, particularly due to an expected reduction in Sierra Vista's portion of state-shared revenue following the 2020 Census.

Given the City's current financial position, City Council tasked the Citizens Advisory Commission to convene and review City service levels and revenue streams. The Commission met a total of 12 times and held two public meetings in the span of 10 weeks.

The Commission, composed of seven members each appointed by a member of the City Council convened in mid-February to complete their tasking. The following are the members of the CAC followed by the Council member who appointed them:

- Liz York, Commission Chair, *appointed by Mayor Rick Mueller.*
- Jeff Anselmi, Commission Vice Chair, *appointed by Council Member Craig Mount*
- Ken Cecil, Commission Secretary, *appointed by Council Member Henrietta "Hank" Huisking.*
- LaVerne Jenkins, *appointed by Council Member Gwen Calhoun.*
- Sandra Kenny, *appointed by Mayor Pro Tem Bob Blanchard*
- Clyne Namuo, *appointed by Council Member Alesia Ash.*
- Greg Thomas, *appointed by Council Member Rachel Gray.*

The parameters of our tasking included:

- The CAC will be provided with existing service level expenditures for personnel, operations and maintenance, current debt service, and capital. The CAC will also receive a five year projection of these expenditures based on no additional service expansions, but including reasonable cost of living increases.
- The CAC will also be provided with projections of personnel, O&M, and capital (both operating/maintenance and new projects) that have been identified as needs by City staff. These projections will be based upon available data, studies, plans, etc.
- Line department managers will be made available to the CAC to review how/whether current service levels are meeting community needs, and to review departmental projections for needs of the future.
- The CAC will be provided with a list of major revenue sources, to include a historical perspective, current budget estimates, and projections for the future based upon best available information.

- 100% user fee funds/operations (enterprise funds consisting of Sewer and Refuse) will not be included as part of this analysis.
- Any fund that is not the direct result of Council-established fees, nor assisted by the general or CIF fund, will not be included in the review (e.g., donation accounts, police special revenue, judicial enhancement, etc.).
- The CAC may consider, if a more narrowed focus is determined to be more efficient, eliminating from the review process other funds where the operations are not materially supported by the general fund.
- The development fee process will not be reviewed with the CAC as a part of this analysis.
- Staff will provide the CAC with a list of all available revenue sources, and provide estimates, as requested, on revenue generated under different scenarios.
- Staff will assist the CAC to develop a community engagement strategy to include public input in the CAC analysis.
- Final CAC recommendations regarding any tax structure or service-level policy changes, due April 10, 2015 per the City Council tasking, should reflect a balance between projected expenditures and projected revenues, and shall meet all bond covenants as well as all state legal requirements.

Input of City Departments

Over the course of our meetings, The CAC heard 10 presentations on the following topics: City Budget Overview, Vista 2030 General Plan Overview, Police Department, Fire Department, Community Development, Economic Development, Marketing/Tourism, Leisure and Library Services, Administrative Services, and Public Works. In addition, a total of more than 160 pages of information were compiled by all of the City departments in detailed reports and shared with us. Copies of the reports were also provided to members of the public attending CAC meetings and City Council members, and were made available on the City's website attached to the minutes of each CAC meeting.

Each department or division addressed the following questions in their written reports and presentations to the Commission:

- What was the condition of your department five years ago?
- What is the current condition of your department?
- What impact to service levels will occur if the status quo is maintained?
- What do you propose to meet current and future community needs?

There were several trends common across the City organization. Every department discussed the impact that staffing reductions have had on service levels and responsiveness over the past five years. Despite the challenges associated with having fewer employees, department directors all shared examples of efficiency improvements and innovative methods their departments have enacted to maintain or improve services. In addition, each report and presentation included options for additional service level reductions in the event that the City's financial situation does not improve. We believed that almost all of these suggestions would critically impact quality of life for Sierra Vista residents or create additional long-term problems for the City. Finally, departments presented proposals for potential increases to staffing, operations, and service levels that would improve quality of life in Sierra Vista for residents and visitors alike. The Commission recognizes that funding all of these proposals is out of the question due to the magnitude of ongoing revenue increases they would require. However, many of the service level

improvements would serve to ensure the long-term sustainability of the City organization and contribute toward the future economic growth of Sierra Vista. Therefore, we are recommending increasing resources to specific City functions.

Summary of CAC Deliberations

To begin the deliberation process following all department presentations, each CAC member was asked to individually list their top five service level priorities for each City department. City staff compiled our responses. Many of us shared similar priorities; those issues became the forefront of the deliberations. All of our recommendations fell into four key outcome areas: Public Safety; Economic Prosperity; Quality of Life and Sense of Place; and Responsive and Effective Governance. These key areas form the foundation of all of the CAC recommendations to Council. We encourage City Council members to keep these four major categories in mind as you make your decisions for the future of Sierra Vista. The list below includes our preliminary areas of concern. Over the course of our deliberations, the CAC narrowed our priorities from the list in order to make pragmatic recommendations.

PUBLIC SAFETY

- Competitive compensation
 - Retention incentives
 - Minimum qualifications for recruitment
- Augment staffing in PD to better accommodate leave/injuries
- Vehicle replacement
- Technology to respond and collect data
- Increase Neighborhood Enforcement
- Some street maintenance concerns
 - Signals
 - Crosswalks
 - Condition of major arterial roads

ECONOMIC PROSPERITY

- Attraction of primary jobs , reduce dependence on Fort Huachuca
- Plan to elevate city reputation through tourism and branding
- Attract shoppers/visitors
- Maintain competitive tax base
- Remain business-friendly
- Community appearance
 - Trailer park clean-up
 - Neighborhood Enforcement
 - Street and public space maintenance
 - Fry Blvd. improvements
- Leverage community partnerships

QUALITY OF LIFE AND SENSE OF PLACE

- Public Safety
- Maintenance and appearance of public spaces
- Street maintenance
- Branding and marketing
- Recreation and ball field facilities
 - Current inability to meet community demand
- Community beautification,
 - Fry Blvd and West End
- Job growth and variety
- Youth activities
- Responsiveness to community

RESPONSIVE AND EFFECTIVE GOVERNANCE

- Responsiveness to community and internal City departments
- Avoiding litigation
 - Compliance issues
- Use technology to increase efficiency and effectiveness
- Be proactive rather than reactive
- Neighborhood abatement and enforcement
- Address staffing needs over time

After discussing our preliminary service priorities and developing a general idea of what level of resources they would require, we discussed potential opportunities to increase City revenue. City staff provided an exhaustive list of all City-controlled revenues with information regarding how significantly rate or fee increases would impact the City budget. The entire list of revenue options we considered is located in **Appendix A** of this report.

The Commission focused on four opportunities for augmenting general fund revenue throughout the deliberations that were included in our final recommendations:

- Capital Improvement Fund release
- Retail Sales Tax rate increase
- Bar/Restaurant tax rate increase
- Various User Fee increases

We discussed and understand the possible ramifications of each of these options. Releasing Capital Improvement Fund money to be used for other General Fund expenditures may have an impact on our ability to fund capital projects and maintenance. However, given the pressing needs of the community, the Commission felt it was important to give the City more control over how this .5% of our sales tax revenue is managed. Our specific recommendations are found later in this report. We also recognize that increases to Retail Sales and Bar/Restaurant taxes may have some impact on consumer behavior; however, even small changes to the rates of those two tax categories will have the largest impact on City revenue, and it provides the greatest opportunity for those who do not reside in the City to contribute to services they use while shopping or visiting. Even with increases, the Commission is

confident that Sierra Vista will still have one of the lowest combined tax rates in the region and the state. We also would support a tiered retail sales tax structure (create a separate tax rate for any amount spent over \$5000 on a single purchase), assuming that the result of such a structure would lead to a net gain in revenue to the City. Finally, we decided not to deliberate each and every fee that the City charges for various services, but instead recommend that City staff analyze and increase fees that have not been updated or are not reflective of an appropriate user contribution for a service, and believe there is an opportunity for an additional \$100,000 in fee revenue.

While our final recommendations focus on those four opportunities, we did discuss and rule out several other options. For example, while we recognize that Sierra Vista has a very low property tax rate, we did not believe that the increase to City revenue if the rate was maximized (\$151,000) was significant enough to justify increasing the rate. We also did not focus on either the construction or hotel tax rates because we believe the rates are competitive as they exist now, and any increase to them would have a very small impact on City revenue. In addition, given the City's growing focus on promoting tourism to the region, we did not want to further impact the cost of accommodations. We believe that increasing the volume of visitors to our community will have a greater impact than a tax rate increase. The Commission did briefly discuss the Real Property Rental Tax as well, but concluded that the current rate is appropriate, and having a tax on property rental contributes toward diversity in our revenue sources.

The final component of our revenue deliberations addressed the community's capital needs. The CAC discussed the possibility of using a bond election to fund major capital projects in lieu of the Capital Improvement Fund. The City's very low existing property tax rate provides an advantage for approaching voters with a secondary property tax for community-driven capital projects. This process would allow the voters of Sierra Vista to determine the future of new major City facilities.

Summary of Public Input Process

The Citizens Advisory Commission held a 5-day public engagement process from March 31-April 4. During this period, the City posted several questions online through social media platforms and Speak Up Sierra Vista and held two public meetings. More than 100 people submitted their comments via social media, individual comment sheets or group reports during public meetings. This is a conservative estimate, as the exact number of discrete participants cannot be discerned due to potential duplication of people who submitted comments both online and in-person. The process did not distinguish between city and non-city residents, and the responses are not a random sample of all residents, therefore they do not reflect a statistically significant sample representing all sectors of the community.

Only the individual comments were collated in detail, while the group reports were summarized where pertinent. Many individuals and groups only responded to some of the questions provided, so participation varied by question. Several people responded to the CAC input announcement post on Facebook but not any specific questions; these comments were counted under the question on sales

tax. Since some duplication could not be ruled out between online and in-person input, the response summaries provided for each question are approximate.

The response

- 86 people, not including 6 duplicates, signed in at the 2 public meetings, though this figure includes some commission members and city staff.
- 37 people, accounting for 2 duplicates, turned in individual answer sheets.
- 56 discrete users submitted 398 comments and interactions on Facebook and SpeakUpSierraVista.
- Between the two public meetings, 18 groups, generally composed of 3 to 6 people, held discussions and made reports.
- The CAC Facebook page received 141 likes in five days.

Key findings

- Street maintenance, economic development, marketing, and police compensation emerged as clear priorities, garnering more supportive comments than dissenting ones.
- Some leisure amenities like the library and multi-use paths were also clearly identified as priorities, while the Cove garnered a mix of comments. More people recommended looking at making reductions at the Cove than supported its current level of operation.
- While increasing police compensation to retain and recruit officers was favored by most respondents, increasing staffing levels to improve coverage was not. Most people said they are happy with the current level of police coverage and did not think there has been enough growth to justify expanding.
- A moderate sales tax increase garnered strong support, while a tiered tax also proved popular. Some people did say they opposed any tax increase but more said they were willing to pay to preserve existing service levels. A tiered tax plan received significant interest, especially during the first public meeting, where nearly every group reported support for the idea. Several people expressed interest in a cap, sunset or both.
- Neighborhood enforcement was identified as the top area for potential improvement in government responsiveness.
- Most people supported the concept of freeing up CIF dollars and putting future projects before the voters via property tax bonds, though some were opposed to any form of bonds.
- Despite not being the focus of a particular question, Vista Transit and King's Court were both brought up in several comments. Several people suggested cutting or privatizing Vista Transit, while 1 submitted arguments against any reductions. About 3 people expressed support of King's Court as a tennis facility, while 1 individual and 1 group proposed selling it as soon as possible.

Recommended Service Level Changes

Following CAC deliberations, the public input meetings and online engagement process, the Commission reached consensus regarding their highest priorities for service level adjustments. We were pleased to find that throughout the public engagement process individuals' concerns aligned closely with the direction of the CAC.

The Commission recommends five areas for service level increases. We developed a range of increased investment that we would like the City Council to consider. These dollar amounts would be in addition to what the City currently budgets for these items. Although listed in priority order, it should be noted that the CAC understands the need to address staffing shortages, and it's listing as the last of our top five priorities is more reflective of limited resources and unmet maintenance needs. Our five recommendations, in priority order, are:

1. Street Maintenance (\$600,000-\$1,000,000 per year)
 - Additional investment in street maintenance now will increase the longevity of the City's largest infrastructure asset, improve safety on our roads, prevent larger long-term costs for major repairs and replacement, and assist with economic development efforts by making Sierra Vista a more attractive place to work and live.
2. Economic Development and Tourism (\$250,000-\$300,000 per year)
 - The CAC believes that funding economic development and tourism initiatives will have the greatest long-term return on investment for the City. Growing and diversifying our economic base while inviting more visitors reduces dependence on any single source of City revenue.
3. Classification and Compensation Implementation (\$1,000,000 per year)
 - Implementing the classification and compensation plan is crucial to attracting and maintaining a high-quality workforce for the City. In recent years, City departments have lost many employees due to more lucrative opportunities in other public entities and the private sector. In addition, recruiting new employees, particularly in public safety, is incredibly difficult when the City cannot offer competitive salaries.
4. Vehicle Rotation and Capital Maintenance (\$900,000-\$1,000,000 per year)
 - Funding the City's vehicle rotation and capital maintenance plans is particularly important if the Capital Improvement Fund money is released to the general fund. Like our street maintenance, investing in the ability to do preventative maintenance prevents higher long-term costs to the City. It is less expensive to take care of what we have each year than to have to replace facilities and vehicles all at once. In addition, if the City is not going to have funds to expand facilities in the future, we need to maintain what we have for our community.
5. Staffing Increases (Up to \$1,100,000 per year) in the following areas:
 - a) Neighborhood Enforcement
 - b) Police Officers
 - c) Administrative Positions
 - d) High-demand Customer Service Positions
 - During every presentation to the Commission, department heads noted the impacts to service levels as a result of reduced staffing. While our current City

staff has done a remarkable job of doing more with fewer people, we believe the Council should consider gradually increasing the City workforce and restoring its capacity.

In addition to service level increases, the Commission also agreed there were three areas of the City organization where service level reductions would be appropriate in order to cut costs and reallocate money to higher priority areas. Rather than identify specific operational changes, the CAC determined it was more appropriate to recommend general service level adjustments and allow City staff to make the decision on exactly what changes should be made. Given the changing economic landscape since many of our services were first provided to the Sierra Vista community, we believe these services should be reexamined.

Recommended areas for service level cuts or efficiency improvements, in priority order:

1. The Cove
2. Vista Transit
3. Adjust the hours of the Sierra Vista Public Library to reduce costs while maintaining a high level of service

Recommended Revenue Options

The CAC believes that doing nothing to augment City revenues is not an option and unanimously recommends some level of revenue increases. While we reached consensus supporting the release of the Capital Improvement Fund and increases to each of the three tax categories, there was no consensus among the Commission regarding the exact amount of the rate increases. As a result, the Commission decided to provide a recommended range of options to Council.

Recommended areas for revenue adjustments or financial policy changes, in priority order:

1. "Unfence" the Capital Improvement Fund (\$1,284,000)
 - Dollar amount has already accounted for debt payments that must continue
2. Increase the Retail Sales Tax (.2%-.5% base rate increase, with a tiered rate structure)
 - Recommend a range of 1% to 1.75% for the tier.
3. Increase Bar/Restaurant Tax (.3%-.4% rate increase)
 - Brings an additional \$221,000-\$300,000
4. Increase various user fees
 - Fees might include ambulance fees, Animal Control adoption fees, library fines, etc. The CAC feels there is a minimum of \$100,000 in additional revenues through carefully selected fee adjustments.

In order to illustrate some revenue and expenditure scenarios that the CAC considered, Appendix B contains four examples of revenue and service level packages.

The CAC extensively discussed the tiered tax structure previously mentioned in this report. Commissioners reached consensus that they would support a tiered structure. Our main concern is that implementing an overall retail sales tax increase but then creating a significantly reduced top-tier rate would undercut City revenue and fail to remedy the City's financial challenges. For example, implementing a 2.05% retail sales tax rate with a 1.75% rate on purchases over \$5,000 would result in an estimated \$225,000 less revenue for the City than a flat 2.05% retail sales tax rate. However, members of the business community believe that maintaining a low tax rate on higher-priced items will encourage more consumers to shop in Sierra Vista over other cities. Their hope is that increased sales volume would offset the lower rate. The commission recommends, therefore, that the Council increase the overall tax rate and implement a tiered structure with a broad enough gap between the rate of the bottom and top tiers in order to incentivize large ticket purchases.

The Commission does not recommend attaching a "sunset" date to any tax increases. However, we do believe that five years from now, the City Council should once again task the CAC with a comprehensive review of City revenue. At that time, the City will be about to pay off some capital debt and be preparing for the results of the 2020 census. In addition, after five years the City will be able to analyze the impacts of increased investment in economic development.

Closing Thoughts

The Citizens Advisory Commission is deeply impressed by the City's response to its economic and financial challenges over the past decade. We believe that Sierra Vista is a very well run City and are proud to call it home. Moving forward, we urge the City Council to remember that all City services are tied to economic development in some way, whether they relate to amenities, aesthetics, or attracting and retaining businesses.

The seven diverse CAC members represented an excellent cross-section of the City of Sierra Vista. Each of us came to the process free of personal agendas and was eager to explore what is best for the community as a whole. We believe strongly in Sierra Vista's future as a thriving city and are proud to have served during this important process. The City has some incredible opportunities to create a brighter future for the community.

The Citizens Advisory Commission had a very short time frame to complete a large and momentous task. Conducting 14 meetings in 10 weeks was incredibly challenging while also trying to understand nearly every City service and revenue stream. Despite the time crunch, we believe that the process was comprehensive, thorough, and represented the community well. We highly recommend, however, that the Council allow a greater period of time for the Commission to complete our work in the future.

The public engagement process was particularly remarkable. In just one week, the Commission heard from more than 100 people about their priorities for the community. We would like to thank all of the participants in the public meetings as well as those who participated online. In general, we were pleased to learn that the priorities of the public aligned closely with the priorities of the CAC.

Finally, we are grateful to the City staff for the immense amount of work they did to ensure that we had all of the information we needed to generate our recommendations. We particularly want to thank Mary Jacobs, Assistant City Manager; Pam Weir, Management Analyst; and David Felix, Finance Manager for their work diligently preparing the CAC for its tasking, organizing and facilitating the meetings, and coordinating the community engagement campaign. In addition, department directors were available at virtually every meeting to answer questions, and their reports were comprehensive. Special thanks to Tom Alinen, Chief of Police; Adam Thrasher, Deputy Chief of Police; Randy Redmond, Fire Chief; Ron York, Deputy Fire Chief; Don Brush, Community Development Director; Victoria Yarbrough, Leisure and Library Services Director; Scott Dooley, Public Works Director; Judy Hector, Marketing and Public Affairs Manager and Simone McFarland, Economic Development Manager.

Over the many years that the Citizens Advisory Commission has been called to serve, the process has continuously improved.

Appendix A- List of City-Controlled Revenue Sources

TRANSACTION PRIVILEGE TAXES

<u>TPT Tax Category</u>	<u>Current Rates</u>	<u>FY2014 Revenue</u>	<u>Estimated .10% Value</u>
Transp. & Warehousing	1.75%	6,850	390
Manufacturing	1.75%	228,141	13,000
Wholesale Trade	1.75%	247,272	14,100
Retail Trade	1.75%	9,183,309	525,000
Finance and Insurance	1.75%	13,650	780
Services	1.75%	544,579	31,000
Arts and Entertainment	1.75%	7,788	445
Other	1.75%	95,365	5,500
Subtotal Retail TPT	1.75%	10,326,954	578,515
Restaurant/Bar	2.60%	1,768,624	68,000
Real Estate, rental & leasing*	1.00%	1,172,494	117,000
Communications & Utilities	2.00%	\$1,495,522	75,000
Accommodation	5.50%	770,012	14,000
Construction**	2.45%	1,116,402	45,000

* Real estate rental and leasing includes both residential and commercial, estimated at about 50% each. A recent state law stipulates that any increases in this rate must be publicly voted. In addition, any reductions re-set the rate and will then trigger the public vote provision if it is added back in the future.

** Construction TPT differential is applied to offset development fees 25%.

PROPERTY TAX

	<u>Current Rate</u>	<u>Current FY Revenue</u>	<u>Max Rate</u>	<u>Max Revenue</u>	<u>Difference</u>
<i>Primary</i>	\$0.1135	\$364,000	\$0.1608	\$515,000	\$151,000
<i>Secondary</i>	0.00%	\$0			

Max debt limit at 20% Bonds: \$65,059,269

Max debt limit at 6% Bonds: \$19,517,781

Max debt limit is determined by type of facility (public safety, parks, admin building) to determine whether it falls under the 6% or 20% limit.

OTHER REVENUES

Ambulance Fees -- The City's base ambulance fee rate is currently \$911. Fry Fire District's is \$1,067. Although 85% of those billed are either Medicare or AHCCCS patients and reimbursement is pre-defined, equalizing the fee would bring in an estimated \$50,000 in revenue.

Building and Plan Review Permits -- Revenues in this category have dropped significantly since the economic downturn. Some plan review fees were lowered two years ago to reflect more efficient responses and to respond to the economy. Fees range widely depending on type of permit or plan review and inspection, but staff does not recommend any changes upward be made at this time due to the slowed construction.

Fuel Sales -- For external customers who use the Public Works fueling facility, the city adds a \$.05 flowage fee. Total revenue from the fee was \$5,200 last year. Each additional \$.01 would bring in an estimated \$1,000.

Dog Licenses -- Required by state law, licenses are issued annually to insure dogs have rabies shots. Current fee is \$20.00 for intact dog, \$5.00 for sterilized dog, seniors citizen get a reduced rate by \$2.00 per dog. If a person purchases multiple years, they received a 50 cent discount per year. Dog license fees have not changed for over 15 years. Total revenue in 2013 was \$28,000. Raising the fee by \$2.00 will create will bring in an estimated \$8,200 in additional revenue.

Pet Adoption Fees -- The City hadn't changed the pet adoption fees from the \$25 fee for at least 15 years until 2012, when it was raised to \$50. There were concerns the increase would affect adoptions and euthanasia rates, but that has not been the case. The average cost to adopt an animal is between \$111.00 and \$135.00 depending on age, gender, and other issues. The city subsidizes pet adoptions between 55% and 65%. Animal Control took in approximately \$36,550 in adoption fees in 2014. Comparable adoption fees in other jurisdictions start at \$75. If the fee was increased to \$75, it would provide an estimated \$18,275 in additional revenue. If fees were increased, the PD recommends leaving cats at the \$50 due to challenges with adoption, reducing the estimated revenue by about \$5,500.

Police Records and Fingerprinting -- The Police Department provides a wide variety of different record types. Currently, Records charges \$3 per report. The revenue for reports in 2014 was \$6,306 for 2,102 reports, a process that takes significant staff time. If the fee for reports were to go to \$8, it would increase revenues by approximately \$17,000 per year. Also, the department charges \$5 to fingerprint someone for a background check. The revenue from fingerprints last year was \$9,550 for 1,910 customers. Changing that fee to \$8 also would result in an estimated increase of \$5,000.

Field/Facility/Lighting Fees -- Attached is the schedule used by Leisure and Library services when renting City space to non-profit and for-profit organizations. The total revenue received last fiscal year for various facility rentals and lights was \$100,000. Given the wide range of fees, just using a 5% increase model, revenues would be projected to increase by \$5,000.

KidsWorld – This program currently has a weekly rate of \$50 per child for both morning and afternoon enrollment, with the last increase taking place in 2012. Revenue has dropped from \$410,000 in 2012 to \$372,000 in 2014, likely reflective of the fee increase. If the rate were increased by \$5/week (10%), the estimated revenue could be an additional \$35,000, if the rate change didn't result in families choosing not to send their child to the program. However, it is more likely to be somewhere around \$10,000.

Library fines and copies – Last year, the City collected approximately \$25,000 in library fines and print jobs, charged at a rate of \$.10 per day per item (for regular materials; specialty materials are higher), and \$.10 per page for printing/copies. For each additional \$.05 applied to both fees, the projected revenue would be \$10,000.

Business Licenses – Last year, the City Council voted to reduce the business license fees. Although a business friendly strategy, the lowering of the fee from \$130 to \$50 has resulted in a reduction in revenues to the General Fund of an estimated \$75,000.

POLICY OPTIONS

Capital Improvement Fund earmark/Secondary Property Taxes. -- City Council approved an ordinance in 1998 dedicating .5% of the retail sales tax collections for capital projects (debt service or direct payment). The City has never utilized voter-approved bonds to finance capital projects. The CAC will be provided with a projection of the CIF fund at its meeting.

Tiered Tax Rate. -- State law allows for communities to have a tax rate that is different based upon the value of a commodity purchase. If a different rate is established for a purchase that exceeds a certain dollar threshold, the new rate is applied to the entire purchase, not just the portion of the purchase over the threshold. Several communities in Arizona have used this tool in their tax structure.

Temporary Sales Tax. -- Some communities have utilized a temporary sales tax for initial or one-time investments. The State had a three year 1% sales tax to fund schools in 2010; Bisbee voters recently approved a temporary .05% sales tax to fund expanded tourism attraction. A temporary sale tax could be dedicated to capital or one-time expenditures as a means of catching up with backlog.

Debt Restructuring. -- The Capital Improvement Fund (the .05% dedication of the sales tax) pays debt service on capital projects. Two outstanding bonds are being paid off. One has already been refinanced. The other could be refinanced for rate, but not for length due to it therefore exceeding the useful life of some of the items included in the bond issue. A restructure of the second debt is estimated to save minimal amounts since the interest rate is already low.

SSVEC Franchise funds for Streets. -- The 2012 voter-approved franchise agreement with SSVEC included an additional 2% franchise fee increase, estimated to be an additional \$750,000. The City Manager recommended the additional funds go to street improvements and has earmarked them since. All franchise fees go into the general fund unrestricted.

Construction Sales Tax Subsidy to Development Fee Fund. – When the City Council approved a comprehensive development fee schedule in 2007, in an effort to keep the fees manageable and in response to input from the development community, the Council raised the rate on construction sales tax in order to provide the revenue needed to offset 25% of the maximum allowable development fee. At the end of each fiscal year, the Finance Manager transfers the value of 25% of the development fees paid into the funds that year. This policy could be changed to free up revenue for the General Fund, and would result in the development fees needing to be adjusted accordingly.

Water Franchise Agreements. – The City has voter-approved franchise agreements with both the electric cooperative and the gas company. State law allows communities to have franchise agreements with all utilities (telecom is regulated by the FCC). The water companies are already taxed the 2% utility TPT. For comparison, SW Gas charges an additional 3% and SSVEC an additional 2% (since it is not a for-profit organization). Based upon similar sized communities, a 2% additional franchise fee is estimated to bring in an additional \$100,000 - \$160,000.

Financial Policy Changes – The City Council has established a financial policy that specifies a cost recovery rate of 50% of the direct costs for the Cove; 100% of the direct costs for all Leisure classes and programs; etc. (copy provided to CAC members). Without getting into the nitty gritty of each specific area or fee, the CAC could recommend the policy be changed to collect more. It is unclear if additional costs would also affect participation and therefore not result in any additional net revenue.

Appendix B: Sample Revenue/Expenditure Packages

CAC members participated in an exercise in which they developed several revenue generating options by adjusting rates, fees, and service levels with corresponding priority expenditures. The first three examples do not balance because the Commission decided late in the exercise to adjust all retail tax scenarios with a tier at 1.75% for purchases over \$5,000. The discrepancy you see between revenues and expenditures is the estimated result of enacting a tiered vs. consistent tax rate.

OPTION A - 1

CIF Release	1,284,000		
Retail Rate of 1.95%	\$1,070,000	Street Maintenance	\$600,000
(purchases over \$5,000 remain at 1.75%)		Econ Dev/Tourism	\$250,000
Bar/Restaurant at 2.9%	\$221,000	Class/Comp	\$1,000,000
Fee Increases	\$100,000	Vehicle Rotation	\$500,000
<u>Cuts to Cove and Library</u>	<u>\$75,000</u>	<u>Capital Maintenance</u>	<u>\$600,000</u>
Total Additional Revenue:	\$2,750,000	Total Expenditure Increase:	\$2,950,000
		Difference:	(\$ 200,000)¹

OPTION A - 2

Same as above, but 1.45% tier	(\$ 219,975)	Same Expenditures as above:	\$2,950,000
Total Additional Revenue:	\$2,530,025	Difference:	(\$ 346,650)²

OPTION B - 1

CIF Release	1,284,000	Street Maintenance	\$600,000
Retail Rate of 2.05%	\$1,612,000	Econ Dev/Tourism	\$200,000
(purchases over \$5,000 remain at 1.75%)		Class/Comp	\$1,000,000
Bar/Restaurant at 2.9%	\$221,000	Vehicle Rotation	\$400,000
Fee Increases	\$100,000	Capital Maintenance	\$500,000
<u>Cuts to Cove and Library</u>	<u>\$75,000</u>	<u>Staffing Increases</u>	<u>\$817,000</u>
Total Additional Revenue:	\$3,292,000	Total Expenditure Increase:	\$3,517,000
		Difference:	(\$ 225,000)¹

OPTION B - 2

Same as above, but 1.55% tier	(\$ 146,650)	Same Expenditures as above:	\$3,517,000
Total Additional Revenue:	\$3,145,350	Difference:	(\$ 371,650)²

OPTION C - 1

CIF Release	1,284,000
Retail Rate of 2.15%	\$2,150,000
(purchases over \$5,000 remain at 1.75%)	
Bar/Restaurant at 3.0%	\$300,000
Fee Increases	\$100,000
Total Additional Revenue:	\$3,834,000

OPTION C - 2

Same as above, but 1.65% tier	(\$ 73,325)
Total Additional Revenue:	\$3,760,675

Street Maintenance	\$900,000
Econ Dev/Tourism	\$200,000
Class/Comp	\$1,000,000
Vehicle Rotation	\$500,000
Capital Maintenance	\$500,000
Staffing Increases	\$1,109,000
Total Expenditure Increase:	\$4,209,000
Difference:	(\$ 375,000)¹

Same Expenditures as Above:	\$4,209,000
Difference:	(\$ 448,325)²

OPTION D³

CIF Release	1,284,000
Retail Rate of 2.25%	\$2,685,000
(purchase over \$5,000 remain at 1.75%)	
Bar/Restaurant at 3.0%	\$300,000
Fee Increases	\$100,000
Total Additional Revenue:	\$4,369,000

Vehicle Rotation	}	\$2,010,000
Street Maintenance		
Capital Maintenance		
Econ Dev/Tourism		\$250,000
Class/Comp		\$1,000,000
Staffing Increases		\$1,109,000
Total Expenditure Increase:		\$4,369,000

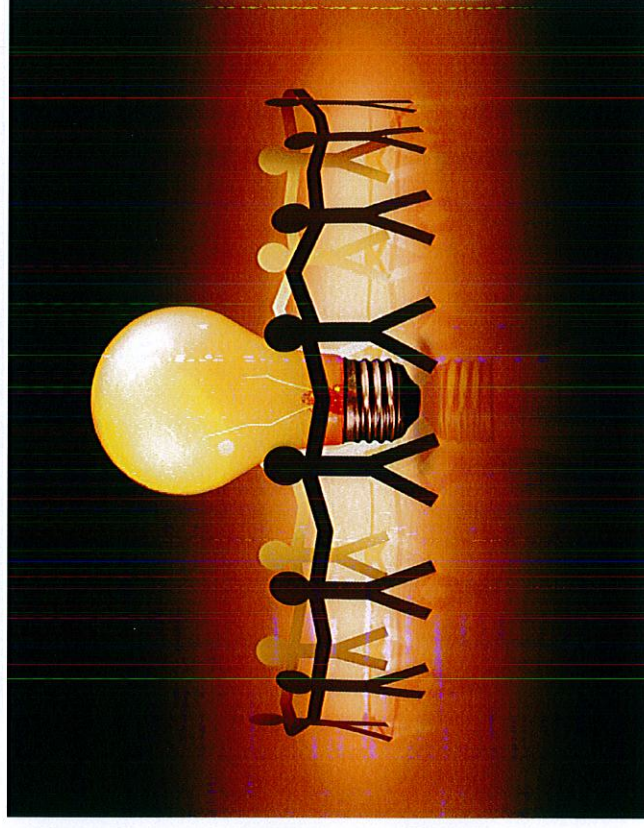
¹Reflects the approximate revenue reduction for the example by enacting a 1.75% tiered rate.

²Reflects the approximate revenue reduction of a tiered rate of .5% less than the example sales tax.

³Option D expenditures were proposed by CAC based upon the tiered rate revenue only. If a tier were not included, it would increase revenues by an additional \$375,000.

Citizens Advisory Commission

Recommendations to City Council



Your CAC Members

- **Chair Liz York**, appointed by Mayor Rick Mueller.
- **Vice Chair Jeff Anselmi**, appointed by Council Member Craig Mount
- **Secretary Ken Cecil**, appointed by Council Member Henrietta "Hank" Huisking.
- **Greg Thomas**, appointed by Council Member Rachel Gray.
- **LaVerne Jenkins**, appointed by Council Member Gwen Calhoun.
- **Clyne Namuo**, appointed by Council Member Alesia Ash.
- **Sandra Kenny**, appointed by Mayor Pro Tem Bob Blanchard



The Situation

- **The Great Recession**

- 70 positions reduced via attrition
 - Six years of cuts starting to show
- **Public safety retirement costs**
 - State system performs poorly
 - Settlement costs big bucks statewide

- **Salaries not competitive**

- Salary freeze leads to compression
- Study recommends \$1.2 million



The Takeaway

The City cannot maintain the status quo. Cuts and/or tax increases must be considered. This requires a comprehensive review of services and revenues. The CAC was tasked to conduct such a review.



A Comprehensive Process

- **Review city services**
 - Presentations to CAC were made by every city department, outlining needs and concerns.
- **Review city revenues**
 - The CAC reviewed latest projections and parsed through every revenue stream under city council control.
- **Solicit public input**
 - With questions posed online and at two public meetings, over 100 people participated in five days.
- **Recommend options to council**
 - The CAC reviewed the public input and outlined final recommendations, which were approved on Monday.



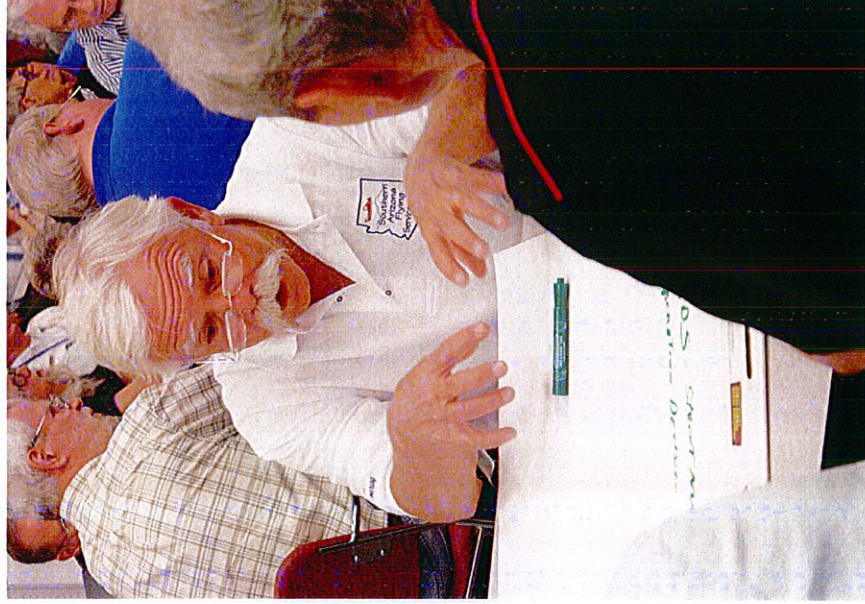
*The CAC met 13 times in
11 weeks*



Public Input

The Citizens Advisory Commission held 5-day public engagement process March 31-April 4.

- ✓ 86 people signed in at the 2 public meetings
- ✓ 37 people turned in individual answer sheets
- ✓ 56 users submitted 398 comments/interactions on Facebook & SpeakUpSierraVista
- ✓ 18 groups, generally composed of 3 to 6 people, held discussions and made reports.
- ✓ CAC Facebook page received 141 likes in 5 days.
- ✓ Both City and County residents participated.



Public Input

Key Findings

- ❑ Street maintenance, economic development, marketing & police compensation clear priorities.
- ❑ Leisure Services had strong support but most people think City can save money at the Cove.
- ❑ A moderate sales tax increase and a tiered structure both proved popular.
- ❑ Police coverage seen as adequate by some; staffing levels not as important as compensation.
- ❑ CIF “unfencing” widely supported; many interested in using voter-approved bonds for future projects.
- ❑ Vista Transit & King’s Court received mix comments, despite not being focused on in CAC questions.



Recommended Additional Investments

In priority order:

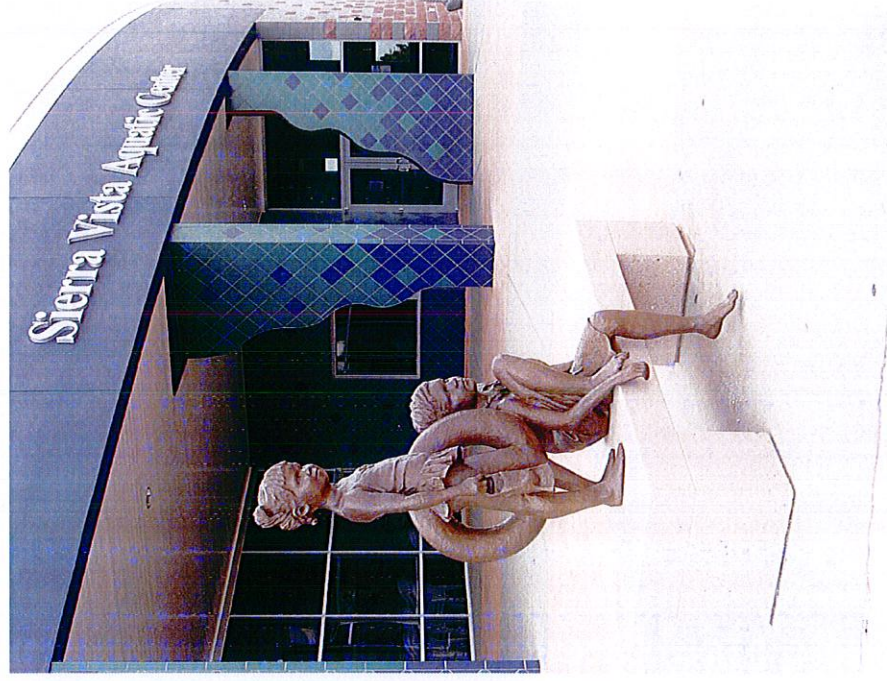
1. **Street Maintenance** (\$600,000-\$1,000,000 per year)
2. **Economic Development and Tourism** (\$250,000-\$300,000 per year)
3. **Classification and Compensation Implementation** (\$1,000,000 per year)
4. **Vehicle Rotation and Capital Maintenance** (\$900,000-\$1,000,000 per year)



5. **Staffing Increases** (Up to \$1,100,000 per year) in the following key areas:
 - Neighborhood Enforcement
 - Police Officers
 - Administrative Positions
 - High-demand Customer Service Positions



Recommended Cuts

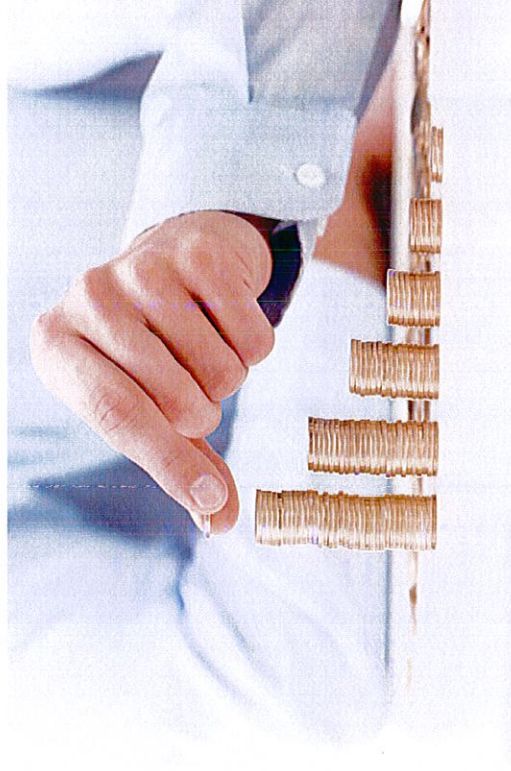


While the CAC did not outline specifics, it concluded the City Council should ask staff to explore efficiencies and reductions in the following areas, in priority order:

1. **The Cove**
2. **Vista Transit**
3. **Sierra Vista Public Library**



Recommended Revenues



1. “Unfence” the Capital Improvement

Fund (\$1,284,000)

- Dollar amount has already accounted for debt payments that must continue.

2. Increase the Retail Sales Tax with a Tiered Rate for Purchases >\$5,000

- .2%-.5% increase to base retail/use tax rate.
- 1% - 1.75% tier rate, depending on revenue generated and final rate.
- Brings an additional \$1,070,000 - \$2,685,000.

3. Increase Bar/Restaurant Tax

- (.3%-.4% rate increase)
- Brings an additional \$221,000-\$300,000

4. Increase various user fees

- Fees might include ambulance fees, Animal Control adoption fees, library fines, etc.
- The CAC recommends a minimum of \$100,000 in additional revenues through carefully selected fee adjustments.



- City is well run and coped with Great Recession effectively.
- CAC Members diverse and open-minded.
- Public engagement process useful.
- VERY short time-frame.
- Grateful to staff who kept CAC well informed and on schedule.

final thoughts



Questions?

